SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 1918

(SENATE AUTHORS: CHAMBERLAIN, Parry and Wiger)

DATE	D-PG	OFFICIAL STATUS
02/16/2012	3834	Introduction and first reading Referred to State Government Innovation and Veterans
03/01/2012	3974a	Comm report: To pass as amended and re-refer to Energy, Utilities and Telecommunications
03/05/2012	4114	Author added Wiger
03/12/2012		Comm report: To pass as amended Second reading

A bill for an act

relating to public administration; modifying provisions governing energy forward pricing mechanisms for government agencies; amending Minnesota Statutes 2010, section 16C.143; repealing Minnesota Statutes 2010, sections 383B.1588; 473.1293.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2010, section 16C.143, is amended to read:

16C.143 ENERGY FORWARD PRICING MECHANISMS.

Subdivision 1. **Definitions.** The following definitions apply in this section:

(1) "energy" means natural gas, heating oil, propane, diesel fuel, unleaded fuel, and any other energy source ~~except electricity used in state operations~~; ~~and~~

(2) "forward pricing mechanism" means either: (i) a contract or financial instrument that obligates a ~~state~~ government agency to buy or sell a specified quantity of energy at a future date at a set price~~.~~; or (ii) an option to buy or sell the contract or financial instrument; and

(3) "government agency" means the state, the Minnesota State Colleges and Universities, the University of Minnesota, a statutory or home rule charter city, a county, a town, a school district, a charter school, a regional agency, or another political subdivision.

Subd. 2. **Authority.** Notwithstanding any other law to the contrary, ~~the commissioner~~ a government agency may use forward pricing mechanisms for budget risk reduction.

Subd. 3. **Conditions.** ~~Forward pricing mechanism transactions must be made only under the following conditions:~~

~~(1)~~ The quantity of energy affected by the forward pricing mechanism must not exceed ~~90 percent of~~ the estimated energy use for the ~~state~~ government agency for the same period, which shall not exceed ~~24~~ 48 months from the trade date of the transaction~~; and~~.

~~(2) a separate account must be established for each state agency using a forward pricing mechanism.~~

Subd. 4. **Written policies and procedures.** Before exercising the authority under this section, the ~~commissioner~~ government agency must develop written policies and procedures governing the use of forward pricing mechanisms.

Subd. 5. **Oversight process.** Before exercising authority under subdivision 2, the government agency must establish an oversight process that provides for review of the government agency's use of forward pricing mechanisms. The oversight process must include: internal or external audit reviews in a manner prescribed by the state auditor; annual reports to, and review by, an internal investment committee; and internal management control.

EFFECTIVE DATE. This section is effective July 1, 2012, and applies to forward pricing transactions entered into on or after that date.

Sec. 2. **REPEALER.**

Minnesota Statutes 2010, sections 383B.1588; and 473.1293, are repealed.

EFFECTIVE DATE. This section is effective July 1, 2012. The authority previously granted by Minnesota Statutes, sections 383B.1588 and 473.1293, is granted under Minnesota Statutes, section 16C.143, and the repeal of Minnesota Statutes, sections 383B.1588 and 473.1293, does not affect any forward pricing transaction entered into before the effective date of this section.

383B.1588 ENERGY FORWARD PRICING MECHANISMS.

Subdivision 1. **Definitions.** The following definitions apply in this section.

(a) "Energy" means natural gas, heating oil, diesel fuel, unleaded fuel, or any other energy source, except electric, used in Hennepin County operations.

(b) "Forward pricing mechanism" means either:

(1) a contract or financial instrument that obligates Hennepin County to buy or sell a specified amount of an energy commodity at a future date and at a set price; or

(2) an option to buy or sell the contract or financial instrument.

Subd. 2. **Authority provided.** Notwithstanding any other law to the contrary, the Hennepin County Board of Commissioners may use forward pricing mechanisms for budget risk reduction.

Subd. 3. **Conditions.** (a) Forward pricing transactions made under this section must be made only under the conditions in this subdivision.

(b) The amount of energy forward priced must not exceed the estimated energy usage for Hennepin County operations for the period of time covered by the forward pricing mechanism.

(c) The holding period and expiration date for any forward pricing mechanism must not exceed 24 months from the trade date of the transaction.

(d) Separate accounts must be established for each operational energy for which forward pricing mechanisms are used under this section.

Subd. 4. **Written policies and procedures.** Before exercising authority under subdivision 2, the Hennepin County Board of Commissioners must have written policies and procedures governing the use of forward pricing mechanisms.

Subd. 5. **Oversight process.** (a) Before exercising authority under subdivision 2, the Hennepin County Board of Commissioners must establish an oversight process that provides for review of the county's use of forward pricing mechanisms.

(b) The process must include:

(1) internal or external audit reviews;

(2) annual reports to, and review by, an internal investment committee; and

(3) internal management control.

473.1293 ENERGY FORWARD PRICING MECHANISMS.

Subdivision 1. **Definitions.** The following definitions apply in this section.

(a) "Energy" means natural gas, heating oil, diesel fuel, or any other energy source, except electric, used in Metropolitan Council operations.

(b) "Forward pricing mechanism" means either:

(1) a contract or financial instrument that obligates an entity to buy or sell a specified amount of an energy commodity at a future date and at a set price; or

(2) an option to buy or sell the contract or financial instrument.

Subd. 2. **Authority provided.** Notwithstanding any other law to the contrary, the council may use forward pricing mechanisms for budget risk reduction.

Subd. 3. **Conditions.** (a) Forward pricing transactions made under this section must be made only under the conditions in paragraphs (b), (c), and (d).

(b) The amount of energy forward priced must not exceed the estimated energy usage for council operations for the period of time covered by the forward pricing mechanism.

(c) The holding period and expiration date for any forward pricing mechanism must not exceed 24 months from the trade date of the transaction.

(d) Separate accounts must be established for each operational energy for which forward pricing mechanisms are used under this section.

Subd. 4. **Written policies and procedures.** Before exercising authority under subdivision 2, the council must have written policies and procedures governing the use of forward pricing mechanisms.

Subd. 5. **Oversight process.** (a) Before exercising authority under subdivision 2, the governing body of the council must establish an oversight process that provides for review of the council's use of forward pricing mechanisms.

(b) The process must include:

(1) internal or external audit reviews;

(2) quarterly reports to, and review by, an internal investment committee; and

(3) internal management control.